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2 May 1958

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# CENTRAL INTELLIGENCE BULLETIN



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## DAILY BRIEF

## I. THE COMMUNIST BLOC

*No*  
May Day in Moscow: Speeches and military demonstrations at Moscow's May Day celebration--the least spectacular in years--were intended to contrast the USSR's desire for relaxation of tensions and summit talks with the allegedly provocative policies of the United States. Defense Minister Malinovsky's order of the day repeated the Soviet charge that US nuclear bombers are making flights toward Soviet frontiers. The military demonstration was shorter than usual; there was no fly-by and no new equipment was displayed.

*yes*  
Yugoslavia: The anti-Soviet tone of the Yugoslav party congress has boosted the Tito regime's prestige in Yugoslavia and will allay for the time being popular impatience over Belgrade's failure to solve its internal problems. Tito now is more popular with the Yugoslav masses than he has been for some time.

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## II. ASIA-AFRICA

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No

Watch Committee conclusion -- Indonesia: Although there is evidence that Soviet bloc arms are beginning to flow to Indonesia in significant quantities, probably accompanied by technicians, there are no developments indicating a Sino-Soviet bloc intention to become directly involved in military operations in Indonesia. Developments continue to favor local Communist and Sino-Soviet bloc exploitation of the situation which could be promoted by a general military defeat of the dissidents.

Yes

Sudan: Failure of the current cotton crop may soon force the Sudanese Government to ask Western sources and the International Monetary Fund for emergency loans totaling possibly as much as \$30,000,000. Because of poor pricing practices, the Sudan was able to sell only about 40 percent of last year's crop. The 1957-1958 crop of long-staple cotton is only about 30 percent as large, and growers will find it difficult to finance the planting of next year's crop. If the West does not provide assistance, pressure on the prime minister to accept Soviet bloc offers of trade and aid will be increased.

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Yes

Burma: The US ambassador in Rangoon reports that an open breach over the question of leadership has occurred between Prime Minister U Nu and Kyaw Nyein, minister for national economy, which will result in division of the ruling Anti-Fascist Peoples' Freedom League (AFPFL), the government coalition, and the formation of a new cabinet when Parliament reconvenes in August. The present government will continue until that time. Chief of Staff General Ne Win indicated to the air attaché that the Burmese Army would suppress any resort to force by either faction.

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*yes*

Laotian elections: Although conservative control of the Laotian National Assembly is not threatened in the supplementary assembly elections on 4 May, a strong showing by the Communists would result immediately in increased pressure on the government for closer relations with the bloc and pave the way for the Communists to become leading contenders in the 1959 national elections. At stake are 21 seats in the assembly, which is being enlarged to 59 members. The Communists hope to win as many as 10. Conservative Laotian politicians estimate the Communists will win from 4 to 6 seats. Regardless of the outcome, the Communists will demand continued representation in the cabinet, and Premier Souvanna Phouma will probably accede.

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### III. THE WEST

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Venezuela: A Communist-infiltrated student group apparently is planning propaganda demonstrations against US armed forces missions to embarrass Vice President Nixon during his 13-15 May visit. Labor and student groups are also expected to continue their sharp criticism of the granting of asylum to the ousted Venezuelan president and his security chief in the United States.

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### IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

Special National Intelligence Estimate No. 100-4-58.  
Probable Sino-Soviet Reactions to US Deployment of IRBM's  
on the Soviet Bloc Periphery. 15 April 1958.

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DAILY BRIEF

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## I. THE COMMUNIST BLOC

### Tito's Increased Popularity Relaxes Pressure for Internal Reforms

The popular enthusiasm which Tito engendered at his recent party congress by playing up his divergence from Moscow probably will relieve some of the pressure on him to solve the domestic problems which have been emerging for the past three months. Ambassador Rankin reports from Belgrade that the renewed Yugoslav-USSR flare-up had a major impact on both Communists and anti-Communists in Yugoslavia, and the regime, at least temporarily, is more popular today than it has been for some time.

The Yugoslav regime has recently indicated a growing concern over general apathy and dissatisfaction which stems from the "malfunctioning" of the workers' self-management program and abuses of the privileges afforded party and state officials. The congress re-emphasized the importance of these shortcomings and called on the party to correct them. The regime is already attempting to work out such solutions as the strengthening of the role of trade unions in order to remove bureaucratic abuses.

The proceedings of the congress have made it clear that the Yugoslavs will continue to seek solutions to their problems through their existing social system which stresses popular participation through workers' self-management and self-government.

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Sudan May Request Emergency Financial Aid Soon

The Sudan may soon request emergency aid amounting to about \$30,000,000 as a result of the 1957-58 cotton crop failure. The poor sales season last year resulted in a net foreign exchange loss of about \$87,000,000, and the country's banking system is unable to finance all of the planting of the 1958-59 crop. Most of the aid is needed to bolster foreign currency reserves, but the Sudan's budget, heavily dependent on revenues from cotton sales, may also require support. Economic development programs have already been sharply curtailed. Emergency loans will be sought from Western powers and the International Monetary Fund.

Last year's receipts from sale of the record 1956-57 crop were down sharply from the previous year largely because of the government's unrealistic pricing policy which forced Western buyers out of the Sudanese market. Remedial action was taken toward the end of the year when the government sharply reduced cotton prices, but only about 40 percent of the crop was sold. While the Sudan began the current marketing year on 1 January with the largest carry-over in its history, last year's low sales left the country's banking system without sufficient funds to finance the sale of this year's crop and next year's planting. The current long-staple crop--1957-58--is about 72 percent smaller than the preceding one, and the quality is markedly lower than in past years.

Serious economic difficulties arising from the cotton problem could be the occasion for a Soviet offer of aid. The pressure for acceptance would probably exceed that which Prime Minister Khalil successfully resisted last year.

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Burmese Political Stability Threatened by Cabinet Rift

The political coalition which has led Burma since 1946 appears to be near disintegration. The long-smoldering personal rivalry among top leaders of the ruling party, the Anti-Fascist People's Freedom League (AFPFL), has now become an open rift which may force Premier U Nu out of office and bring Deputy Premier Kyaw Nyein into power. Over the next few months political maneuvering for parliamentary votes will probably take precedence over the business of government in Rangoon.

Deep personal rivalries between Kyaw Nyein and the U Nu-supported party secretary general, Kyaw Dun, for control of the AFPFL, which nearly split the party at its convention in January, have come to a head over government arrests of criminals who were important links in the personal organizations of the various AFPFL leaders. Cabinet officers and party leaders have been forced to choose sides, muster their political followings, and prepare for a showdown vote at the next session of Parliament--in August or earlier. It is predicted in Rangoon that the losing faction in this vote will form a new antigovernment bloc in Parliament. According to Burmese press estimates, at the present time U Nu controls only 95 AFPFL votes in the Chamber of Deputies while Kyaw Nyein controls 117. The combined opposition--Communist and conservative--controls the remaining, and decisive, 38 votes.

Government policies for the present will probably be unaffected by this dispute, as all leaders involved are friendly to the United States, opposed to Communism, and advocate neutrality for Burma. Although there is some danger that the contending factions may resort to force by employment of the police or home guard, this appears unlikely as both factions are pledged to parliamentary settlement of the controversy, and Army Commander in Chief Ne Win has declared that the army will "strike whoever strikes first."

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Laotian Elections

The first elections in Laos since the integration of the Communist Pathet Lao into the government on 18 November are scheduled for 4 May. Held to enlarge the National Assembly from 39 to 59 seats in order to increase popular representation, these elections will allow the Communists their first opportunity to win seats in the assembly. These elections have provided the Communist Neo Lao Hak Zat (NLHZ), the political successor to the Pathet Lao, the opportunity to campaign throughout the country and build up its following both for these and the 1959 National Assembly general elections.

In the campaigning to date the NLHZ, which hopes to win ten seats out of the 20 new seats and one vacancy at stake, has presented a disciplined and effective front which is in striking contrast to the disunity and apathy of the conservative parties and the infighting among their unwieldy number of competing candidates. Conservative Laotian leaders are conceding that the NLHZ should win a minimum of four seats. Under these circumstances, it is probable that the present Communists in the cabinet, Prince Souphanouvong and Phoumi, will be continued in office and, in the event of a NLHZ landslide victory, that the number will be increased. In any event, it is likely that the pressures for closer relations with the bloc will increase.

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### III. THE WEST

#### Anti-US Demonstrations Likely in Venezuela

Anti-US demonstrations to embarrass Vice President Nixon during his visit to Venezuela from 13 to 15 May are reported planned by a Communist-infiltrated student group. The demonstrations are to call for the ouster of US military missions in Venezuela.

The presence in the US of ousted dictator Perez Jimenez and his bitterly disliked security chief, Pedro Estrada, is generating strong feeling against the United States. Central trade union leaders, for instance, have been reluctant to invite Nixon to visit their headquarters because the two men whom they believe guilty of killing or torturing labor leaders have taken refuge in the United States.

Labor and student groups are especially restless at this time because of the ouster on 27 April of Hugo Trejo, assistant chief of staff of the armed forces, whom they regarded as the leading military proponent of civilian and democratic government. The sudden dispatch of Trejo as ambassador to Costa Rica was brought about by senior officer holdovers from the Perez regime who evidently feared his growing political and military influence.

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